

NORTH CAROLINA GOVERNOR'S LOGISTICS TASK FORCE

GOVERNANCE SUBCOMMITTEE REPORT **Gen. Beth Austin, Chair**

August 23, 2011

INTRODUCTION

In an effort to understand the unique leadership structures of logistics assets, the Logistics Task Force leadership chose to form a subcommittee specifically focused on such issues. Over its existence, the Governance subcommittee has examined the governance structures of existing state logistics assets, such as the NC State Ports Authority and NC Global TransPark Authority. They have also considered possible future governance structures of new assets (i.e. inland hub facilities), as well as the funding needed for such projects.

Following the Task Force's regional outreach efforts the subcommittee was tasked with examining numerous areas in an effort to ensure that governance and leadership needs for logistics assets, both current and future, were appropriately and effectively conveyed in the ultimate final produce of the Task Force. The areas that the subcommittee was tasked with examining are listed below.

- Examination of issues related to local governance of logistics authorities/inland ports (i.e. who governs these groups and how?)
- Examination of issues related to financing of logistics village development and future infrastructure improvements for logistics—including but not limited to public private partnerships and local financing options
- Continue examination of realignment of NCDOT and the creation of a Logistics Division within NCDOT which incorporates the NCSPA, Global TransPark Authority and North Carolina Railroad

Included below are recommendations from the subcommittee to the full Task Force which reflect these directives, as well as other points which have been raised through the subcommittee's analysis and discussion. These recommendations are presented in a narrative form and though numbered for listing purposes are not classified in order of importance or priority.

RECOMMENDATION #1—LOCAL GOVERNANCE STRUCTURES

During its discussion and analysis, the subcommittee received numerous presentations from staff regarding existing logistics asset governance structures. These assets included the NC State Ports Authority, NC Global TransPark Authority, local airport authorities, regional transportation/government groups (MPOs, RPOs, COGs), and regional partnerships. These presentations included discussion regarding these organizations' governing boards/organizations, and for many, the statutory authority which created them and continues to operate them.

Attachment #1 provides examples of such governance structures.

Through this discussion, the subcommittee recognized the unique qualities that each of these structures possesses in an effort to address the specific issues that the organization is tasked with addressing. The subcommittee found that though combining some of these groups may lead to certain levels of operation efficiency and a reduction in redundancies, retention of certain unique structures is necessary. In many cases, “unified decision-making” may cause more issues than it would alleviate. It was also seen that many existing structures have a broad ability to modify themselves based on changes in need.

Because of these factors, the subcommittee recommends that further analysis be completed regarding the establishment of an “overarching authority” which can collaborate the actions of numerous entities related to transportation. The subcommittee believes that such authority could rest with the Secretary of Transportation, but felt that such a decision should not be made without full consideration of all parties involved and their specific organizational structures. The subcommittee did agree that any new “overarching authority” would need to have the ability to make decisions, but to do so in a fair and equitable process.

RECOMMENDATION #2—FINANCING

The subcommittee received information from staff regarding existing funding structures which could be utilized in future development of regional logistics hubs. This information included the funding structures available through the federal government, state government entities, local funding, as well as outside organizations who provide funding for economic development projects. **Attachment #2** to this report is a listing of such funding sources.

Following this discussion, it was determined by the subcommittee that determinations regarding funding for regional logistics hubs may be premature given the fact that plans have yet to be finalized regarding the development or overall need of such facilities throughout the state. Though the subcommittee felt that these facilities may be needed, they believe that further analysis is needed by the Task Force as a whole before decisions are made regarding financing. Also, the subcommittee felt that more information needs to be compiled regarding the utilization of outside funding sources for such hub development.

RECOMMENDATION #3—NCDOT REALIGNMENT

The issue of realigning the operations of the North Carolina Department of Transportation and the Board of Transportation has been a large point of discussion throughout the life of the subcommittee. Previously, the subcommittee has submitted recommendations to the full Task Force regarding the realignment of the Board of Transportation to reflect regional economic interests, as well as advocating for the incorporation of existing logistics assets into the operational framework of the Department (NC State Ports Authority and NC Global TransPark Authority). These recommendations were approved by the full Task Force and were incorporated into the February report to the Governor. Comments regarding these recommendations were also provided to the Joint Legislative Transportation Oversight Committee of the North Carolina General Assembly as they related to the operational shifts of the Ports Authority and Global TransPark to NCDOT.

Specifically during this work period, the subcommittee was asked to examine further operational changes to NCDOT to work to best address the needs of current and future logistics assets.

During its analysis, the subcommittee was presented with numerous documents which laid out proposals for such realignment. The main point of discussion centered around the state's Logistics Coordinating Council which was established through the Governor's Executive Order 85. The Council is focused on 4 areas related to transportation and logistics including:

- Identify areas for cooperation among the State's transportation logistics entities
- Improve the State's transportation services
- Coordinate on projects to create and expand companies in North Carolina or to attract companies to the state
- Share personnel and resources to the maximum extent possible

The membership of the Council, as laid out in the Executive Order, is the Secretary of Transportation (Chair) and the respective executive officers of the North Carolina Railroad, North Carolina State Ports Authority, and the North Carolina Global TransPark Authority. The Executive Order also grants the Secretary the ability to appoint other members at their choosing. The subcommittee reviewed the draft recommendations regarding the inaugural Council membership during their discussion. Attached to this document is the draft Council description and membership which was presented to the Task Force (**Attachment 3**).

It is the belief of the subcommittee that the creation of the Council has been needed for some time. The subcommittee applauds the work of the Governor to create such a Council and looks forward to its operation.

Following their review of the documents related to the Council, the subcommittee recommends that stronger language be used regarding the "Proposed Projects" for the Council as laid out in the establishing documents. The subcommittee recommends that three of the projects be classified as "Organization and Processes" and be prioritized as follows:

1. Work to create a Logistics Division under the operational structure of the North Carolina Department of Transportation—i.e. a "one-stop-shop"
2. Establish a reporting structure for managers of NCGTP, NCSPA, and NCRR, respectfully, reporting directly to the Secretary of Transportation
3. Explore and develop innovative financing for development of future infrastructure improvements for logistics, including public-private partnerships and local financing options by leveraging state assets to provide opportunities to attract private capital

The subcommittee believed that these three projects should be treated with higher priority than the others listed as it was thought that by accomplishing each, the state would better position itself for future success.

Also the subcommittee recommends that the Secretary of Transportation consider incorporating private business representatives into the membership of the Council. Currently, the Council is made up only of representatives of state government/constituent agencies, as was laid out with respect to the spirit of the Executive Order. The subcommittee felt that due to the impact that private industry has on the operations and potential success of the state, their input should be incorporated into any discussions such as this. If it is not deemed possible to incorporate such

members into the Council, the subcommittee recommends that an Advisory Group be created which allows for private business and other outside entities to provide comment and advice to the Council. Finally, with regards to the Council's membership, the subcommittee feels that consideration should be given to incorporating representation from the North Carolina Department of Environment and Natural Resources into the Council's membership, specifically through the Secretary's appointments.

Overall, the subcommittee applauds the current work of the Department of Transportation with respect to the ongoing transition processes of the North Carolina State Ports Authority and North Carolina Global TransPark Authority into the operational and oversight structure of the Department. The subcommittee believes that these actions will lead to future success for these entities individually, as well as for the state as a whole.

OTHER STAFF DIRECTIONS

Though not specific recommendations to the Task Force as a whole, the subcommittee directed staff to complete numerous projects related to its specific work. Those projects include

- Development of a white paper regarding the actions of other states, particularly neighboring states, related to the governance of logistics assets and the financing mechanisms which support transportation and logistics in those states
- Further development of a white paper detailing the North Carolina's respective transportation and logistics asset organizational structures
- Further development of a white paper regarding existing funding sources for transportation and economic project development within North Carolina

The subcommittee asked that staff complete such papers prior to the next meeting of the full Task Force and that reports be provided to the subcommittee for review prior to dissemination.

ATTACHMENT #1

EXAMPLES OF EXISTING LOGISTICS-ASSET BOARDS IN NORTH CAROLINA

GTP Board Structure (as described by Senate Bill 409[Session Law 2011-340])

Board of Directors. The Authority shall be governed by a Board of Directors. The Board shall consist of at least the following 20 members:

- 1) Seven Six members appointed by the Governor. One member shall be representative of the economic development industry, two members shall be representative of commercial real estate development industry, two members shall be representative of the banking and finance industry, and one member shall be representative of environmental interests. Of the Governor's six appointments, at least one member shall come from each of the State's three regions: Western, Piedmont, and Eastern.*
- 2) Three members appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives in accordance with G.S. 120-121. One member shall be representative of the aerospace and aviation industry, one member shall be representative of advanced manufacturing industries, and one member shall be representative of the logistics and supply chain management industry.*
- 3) Three members appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate in accordance with G.S. 120-121. One member shall be representative of the aerospace and aviation industry, one member shall be representative of the emergency response and disaster relief industries, and one member shall be representative of the defense and security industry.*
- 4) The State Treasurer, who shall serve as an ex officio nonvoting member.*
- 5) The President of the North Carolina System of Community Colleges, provided that the President of the North Carolina Community Colleges may instead appoint to the Board of Directors one member of the board of trustees of a community college or one president of a community college. If such an appointment is made, the appointee shall serve at the pleasure of the President.*
- 6) The President of The University of North Carolina, provided that the President of the University of North Carolina may instead appoint to the Board of Directors one member of the board of trustees of a constituent institution of The University of North Carolina, or one chancellor of a constituent institution of The University of North Carolina. If such an appointment is made, the appointee shall serve at the pleasure of the President.*
- 7) The Chairman of the State Ports Authority.*
- 8) One member appointed by the board of county commissioners of any county in which the cargo airport complex site is located.*
- 9) One member appointed by the city council of the city which is a county seat of any county in which the cargo airport complex site is located.*
- 10) The Commissioner of Agriculture.*
- 11) The Secretary of the Department of Commerce.*

North Carolina State Ports Authority [as established by NCGS § 143B-452]

- *It shall be governed by a board composed of 11 members*

- *The Governor shall appoint six members to the Authority, in addition to the Secretary of Transportation [Commerce], who shall serve as a voting member of the Authority by virtue of his office, and four persons appointed by the General Assembly.*
- *The members of the Authority appointed by the Governor shall be selected from the State-at-large and insofar as practicable shall represent each section of the State in all of the business, agriculture, and industrial interests of the State. At least one member appointed by the Governor shall be affiliated with a major exporter or importer currently using the State Ports.*
- *Any vacancy occurring in the membership of the Authority appointed by the Governor shall be filled by the Governor for the unexpired term.*
- *The Governor shall appoint from the members of the Authority the chairman and vice chairman of the Authority. The members of the Authority shall appoint a treasurer and secretary of the Authority.*

Local Airport Authority—Example: Burlington Alamance Airport Authority

****Established by the General Assembly in 1969; Chapter 814 of Session Law**

“The Airport Authority shall consist of five (5) members who shall be appointed to staggered terms of four years. Two (2) members shall be appointed by the City Council of Burlington, two (2) members shall be appointed by Alamance County Commissioners and one (1) member shall be appointed by the City Council of the City of Burlington and Alamance County Commissioners in a joint meeting.”

Regional Partnership [established by the General Assembly]—Example: North Carolina’s Eastern Region

****Established by the General Assembly in 1993; “Commission Membership”—NCGS § 158-35**

- *The board of commissioners of each county participating in the Region shall, in consultation with the county's local business community, appoint one member*
- *The General Assembly shall appoint two members to the Commission on the recommendation of the Speaker of the House of Representatives and two members on the recommendation of the President Pro Tempore of the Senate in accordance with G.S. 120-121. The Governor shall appoint two members to the Commission. No two members appointed under this subdivision may be residents of the same county. The President Pro Tempore of the Senate, Speaker of the House of Representatives, and the Governor shall consult to assist in geographic diversity in those six appointments. In order to be eligible for appointment under this subdivision, a person must be a resident of the region. No person appointed under this subdivision is eligible to be chairperson or vice-chairperson.*
- *Ex Officio Member. – The member of the State Board of Education appointed to represent the second education district shall serve as a nonvoting ex officio member of the Commission.*
- *Terms. – Members of the Commission shall serve for staggered four-year terms. Three of the members initially appointed by the boards of county commissioners pursuant to subdivision (a)(1) of this section shall serve an initial term of two years. The three*

members to serve initial terms of two years shall be determined by lot at the organizational meeting of the Commission. Each of the initial appointees by the General Assembly and Governor pursuant to subdivision (a)(4) of this section shall serve an initial term of two years.

Regional Partnership [not established by the General Assembly]—Example: Research Triangle Regional Partnership

**from <http://www.researchtriangle.org/about-us/>

The Research Triangle Regional Partnership (RTRP) is a business-driven, public-private partnership dedicated to keeping the 13-county Research Triangle Region economically competitive through business, government and educational collaboration.

Leadership

RTRP's 59-member board of directors comprises representatives from each of the 13 counties and the Research Triangle Park. The board advises and oversees RTRP initiatives. An Economic Development Advisory Committee of county economic developers and partners meet monthly to plan and implement strategic marketing efforts.

ATTACHMENT #2

POTENTIAL FUNDING SOURCES FOR LOGISTICS PROJECT DEVELOPMENT

FEDERAL

Federal funding is extremely variable and dependent on the type of project being proposed. Also, the environment in which funding is allocated is extremely competitive, thereby sometimes

limiting the access to funding. Also, in recent years, a shift in focus has been seen regarding large-scale federal funding programs. Though no significant actions have occurred to date, there are many unanswered questions regarding the sustainability of the federal government as a primary significant funding source for the future.

Federal funding sources include:

- Transportation Investment Generating Economic Recovery (TIGER) grants—created via the 2009 Stimulus Bill; currently in its 3rd round of allocations [TIGER 3]
- Harbor Maintenance Trust Fund—created in 1986, Congress established a user fee for deep draft coastal ports and harbors - the Harbor Maintenance Tax (HMT). The HMT was designed to provide 100% of the cost of operations and maintenance, primarily dredging, of the nation's deep draft and coastal ports and harbors. It was intended to ONLY support maritime based projects [questions have been raised as to its current utilization].

STATE

NC Department of Transportation:

- Highway Trust Fund
 - Enacted in 1989 and identifies specific highways that will be four-laned or improved in order to complete a 3,600 mile intrastate system. Also provides funding for urban loops around 7 of the state's largest cities (Asheville, Charlotte, Durham, Fayetteville, Greensboro, Greenville, Wilmington, Winston-Salem). Provides money for the paving of secondary roads (Secondary Road Improvement Program), as well as money for municipality and county road maintenance
- North Carolina Mobility Fund
 - Created in 2010 to "address critical congestion bottlenecks and to improve [the state's] logistics capabilities"; funding proposed to be phased in over 3 year period (including changes in existing reversions from the General Fund to Highway Trust Fund and Highways fund); allocation formula is still being developed.
 - Examples of projects areas which could be funded through this program: Highway, Rail, Aviation, Ports, Ferry, Transit

NC Department of Commerce:

**Most of these funding mechanisms are typically utilized in the attraction of new and retention of existing businesses. They are provided for illustrative purposes only as they relate to business development. They could potentially be used if logistics assets were developed through public-private partnerships.

- One North Carolina Fund
 - The One North Carolina Fund was created in 1993 to help North Carolina by recruiting and expanding quality jobs in high value-added, knowledge-driven industries, and by providing "financial assistance to those businesses or industries deemed by the Governor to be vital to a healthy and growing State economy and that are making significant efforts to expand in North Carolina." In 2006, the NC General Assembly allocated \$10 million to the fund for use at the discretion of the Governor.

- The fund currently consists of nonrecurring appropriations made by the General Assembly, intended to be immediately available for companies seeking to undertake new expansion or locate new operations in the state. The immediacy of the fund allows the Governor to distribute grants on an “as-needed” basis, which ensures the Fund's flexible application and speedy distribution. (from <http://www.nccommerce.com/finance/incentives/onenc/>)
- Job Development Investment Grants (JDIG)
 - JDIG is a discretionary incentive that provides sustained annual grants to new and expanding businesses measured against a percentage of withholding taxes paid by new employees.
- Tier-based incentives
 - All 100 counties are ranked in a tier classification system based on that county respective economic condition [made up by numerous factors]
 - Counties are classified as either a Tier I (the lowest), Tier II, or Tier III
 - In general terms, the lower your tier, the more incentives your county is eligible to receive to use in business recruitment efforts
- Port Enhancement Zone funding
 - Created by House Bill 751 [Session Law 2011-302]—introduced by Rep. McComas
 - Allows companies which choose to locate within a 25 mile radius from NC State Ports Authority facilities the opportunity to receive addition credits for investments (hiring of persons, property) based on the tier classification of the area in which they are located
- NC Ports Tax Credits
 - North Carolina operates a modern port system that connects businesses in the state to the global economy.
 - Businesses who pay North Carolina state income tax and use North Carolina ports can qualify for tax credits on both inbound and outbound cargo.
 - The credit is earned on cargo wharfage and handling fees paid to the N.C. State Ports Authority which exceed the average for over three tax years. The credit applies to taxes due to the state - up to 50% of the total tax liability for each tax year. Any unused credit may be carried forwarded up to five years for a total credit of up to \$2 million.(from <http://www.thrivenc.com/incentives/financial/tax-credits/nc-ports-tax-credits>)

LOCAL

Counties and municipalities possess a myriad of funding opportunities for business development. Many of these sources, however, are variable based on groups' financial situations and the type of project being discussed.

OTHER FUNDING SOURCES

- Golden LEAF Foundation funds
 - The Golden LEAF Foundation was formed under a charter established by the North Carolina General Assembly. According to the charter, the Golden LEAF

Foundation “shall promote the social welfare and lessen the burdens of government [by using its funds] to provide economic impact assistance to economically affected or tobacco-dependent regions of North Carolina in accordance with the Consent Decree [between the state of North Carolina and cigarette manufacturers].” (from <http://goldenleaf.org/charter.html>)

- Golden LEAF's grantsmaking priority areas include agriculture, job creation and retention, and workforce preparedness. The foundation also supports projects that provide educational opportunities and increase economic vitality. To fulfill our purpose, Golden LEAF makes grants to government entities, educational institutions, economic development organizations and nonprofits. Currently Golden LEAF has funded 1,089 grants, totaling more than \$502 million. (from <http://goldenleaf.org/about.html>)
- Area-specific funding
 - This funding, like that derived from the Golden Leaf Foundation, is dependent upon the region/area of the state that the project is being proposed or developed.
 - One such funding source which is area-dependent is funding through the Appalachian Regional Commission (ARC). The Appalachian Regional Commission's programs address the four goals identified in the Commission's strategic plan (from http://www.arc.gov/program_areas/index.asp):
 1. Increase job opportunities and per capita income in Appalachia to reach parity with the nation
 2. Strengthen the capacity of the people of Appalachia to compete in the global economy
 - Funding from the ARC can however, only be used to support efforts which are being undertaken in the following counties: Alexander, Alleghany, Ashe, Avery, Buncombe, Burke, Caldwell, Cherokee, Clay, Davie, Forsyth, Graham, Haywood, Henderson, Jackson, McDowell, Macon, Madison, Mitchell, Polk, Rutherford, Stokes, Surry, Swain, Transylvania, Watauga, Wilkes, Yadkin, and Yancey.

ATTACHMENT #3

****Items listed in italics reflect the recommended changes to this document as presented by the Governance Subcommittee**

State Transportation Logistics Coordinating Council

Purpose

On March 25, 2011 Governor Perdue issued Executive Order 85 to ensure that State governmental services are delivered in an effective and coordinated way, recognizing her responsibility to spend tax dollars wisely and efficiently. Economic challenges dictate that the way State Government operates must change in order to continue to deliver critical services to North Carolina citizens. As a result, the Governor ordered the consolidation and reorganization of State Government.

As it pertains to the Department of Transportation, E.O. 85 established the State Transportation Logistics Council, to be located administratively within NCDOT. The Council shall exercise its powers within existing resources of NCDOT. Further, the Council shall:

- Identify areas for cooperation among the State's transportation logistics entities;
- Improve the State's transportation services;
- Coordinate on projects to create or expand companies in North Carolina or to attract companies to the State; and
- Share personnel and resources to the maximum extent practicable.

Objectives

- Project Synchronization. Create a "One Stop Shop" for clients, allowing them to save time and avoid redundant efforts by working with the State's transportation entities concurrently rather than consecutively.
- Through transportation entity collaboration, the State can improve client services with fewer personnel and with reduced total resources.

Prioritized Projects

Organization and Processes

1. *Work to create a Logistics Division under the operational structure of the North Carolina Department of Transportation—i.e. a "one-stop-shop"*
 2. *Establish a reporting structure for managers of NCGTP, NCSPA, and NCRR, respectfully, reporting directly to the Secretary of Transportation*
 3. *Explore and develop innovative financing for development of future infrastructure improvements for logistics, including public-private partnerships and local financing options by leveraging state assets to provide opportunities to attract private capital*
- Coordinate State transportation entities' support of the Military, and projects such as the Military Growth Task Force's vehicle multi-branch vehicle maintenance project (Defense Logistics Initiative).

- Coordinate State transportation entities' support of agricultural export efforts (Grain, BioMass, Cold Storage, etc.).
- Ensure that State transportation entities are coordinating support for one or more Inland Ports in North Carolina.
- Maximize Foreign Trade Zone advantages and utilization through coordinated efforts of State transportation entities.
- Enhance Intermodal Container operations through the Port of Wilmington and create Intermodal Container opportunities through the Port of Morehead City with collaborative activities of the State's transportation entities.
- Coordinate State transportation entities' strategic planning with the 2040 Statewide Plan, Prioritization 2.0, and all NCDOT strategic planning initiatives.

Members (per Executive Order 85)

Secretary Gene Conti, NCDOT – Chairman
 Tom Eagar – NCSPA
 Darlene Waddell – NCGTP
 Scott Saylor – NCRR

Members appointed by Secretary Conti

Lt. Governor Walter Dalton
 Al Delia – Office of the Governor
 Secretary Keith Crisco, NC Dept. of Commerce
Secretary Dee Freeman, NC Dept. of Environment and Natural Resources
 Commissioner Steve Troxler, NC Dept. of Agriculture
 Carl Stewart – NCSPA
 Jim Fain – NCGTP
 John Atkins – NCRR
 Col. John Nicholson – Governor's Military Affairs Advisor
 Ralph Womble – NCDOT Board
***Representative from private industry—TBD [or the creation of a separate "Advisory Group" made up of private sector representatives]*

Staff

Roberto Canales – NCDOT
 Mark Tyler – NCDOT
 Jed McMillan – NCDOT/Commerce
 Bradford Sneed – Governor's Office/NCDOT
 Seth Palmer – Lt. Governor's Office/NCDOT

Rob Hosford – NC Dept. of Agriculture
Charlie Diehl – NCDOT/NCGTP
Laura Blair - NCSPA
NCRR - TBD